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## FISCAL IMPACT REPORT

**LAST UPDATED** \_\_\_\_\_

**SPONSOR** Sharer **ORIGINAL DATE** 1/31/25

**BILL**

**SHORT TITLE** Storm Water Service as Municipal Utility **NUMBER** Senate Bill 7

**ANALYST** Graeser

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Storm Water System Fee	Indeterminate – depends on number and scope of storm or flood control structure and operations					Recurring	Municipal Utility Funds

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Adopting Municipalities	Indeterminate – depends on number and scope of storm or flood control structure and operations				Recurring	Municipal Utility Funds

Relates to Senate Bill 21 and Senate Bill 22

### Sources of Information

LFC Files

#### Agency Analysis Received From

Department of Finance and Administration (DFA).

New Mexico Environment Department (NMED)

New Mexico Municipal League (NMML)

#### Agency Analysis was Solicited but Not Received From

New Mexico Counties (NMC)

## SUMMARY

### Synopsis of Senate Bill 7

Senate Bill 7 (SB7) expands the scope of the Municipal Code to allow municipalities to develop and operate a storm water system, which can include collection, treatment, storage, or disposal of storm water and to charge just and reasonable fees to property owners benefitting from that system. This puts the storm water system equivalent to other municipal utilities, such as sewer

facilities, water facilities, gas facilities, electric facilities, or generating facilities. The municipality may require a reasonable deposit to cover the new storm water system's-imposed fees. A storm water municipal utility may be imposed by ordinance.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted.

## **FISCAL IMPLICATIONS**

The Department of Finance's (DFA) Local Government Division and the New Mexico Municipal League (NMML) point out that municipalities that adopt the permission implicit in this bill will have to increase budgets, including capital budgets. NMML cannot estimate how many, if any, municipalities will adopt this fee-based solution to the problems of dealing with storm waters.

NMML points out the City of Santa Fe imposes a \$5.50 per month storm water charge collected with the monthly charge for water, sewer, and trash collection. NMML points out Santa Fe is a home rule municipality, and the storm water fee is imposed pursuant to that home rule charter.

NMML also points out municipalities that set up stormwater utilities may also be eligible for additional state or federal funding through grant or loan programs for stormwater management.

## **SIGNIFICANT ISSUES**

Section 3-41-2 NMSA 1978 allows a municipality to impose a property tax of up to \$5 per \$1,000 of net taxable value to provide for flood control structures such as dikes or flood channels; this tax must be approved by municipality's voters. The provisions of this bill allow an alternative funding mechanism that can be imposed by the governing body by ordinance.

The New Mexico Environment Department (NMED) makes several points about the provisions of this bill:

Stormwater discharge from a stormwater utility, as well as stormwater conveyance and treatment systems, to any surface water in New Mexico—including lakes, rivers, streams (including intermittent and ephemeral streams), mudflats, sandflats, wetlands, sloughs, prairie potholes, wet meadows, playa lakes, reservoirs, natural ponds, and tributaries or adjacent wetlands—must comply with state water quality standards. Such discharges may also require a federal or state surface water quality permit. Municipalities will need to comply with all relevant water laws, including obtaining all required permits depending on the discharge.

SB7 provides municipalities with tools to better manage stormwater runoff, which can indirectly support source water protection efforts by reducing pollutants and sediments entering drinking water sources. The bill establishes a framework for creating stormwater utilities and funding mechanisms, enabling municipalities to address localized flooding, erosion, and other stormwater runoff challenges. While SB7 does not explicitly target source or surface water protection, it can complement water quality initiatives if municipalities prioritize projects that benefit source water areas and incorporate stormwater pollution prevention plans. These plans include best management practices and engineering controls

designed to prevent pollutants from entering surface waters through stormwater flows.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Surface water quality discharge permits are included in Senate Bill 21, Pollutant Discharge Elimination System, and Senate Bill 22, Water Quality & Pollution.

## **OTHER SUBSTANTIVE ISSUES**

NMED notes:

Municipalities often operate with constrained budgets, limited staffing, and limited resources. Without proper planning, the creation of a stormwater utility could place additional strain on existing operations and reduce the effectiveness of essential services. While stormwater management is an important component of protecting water quality and mitigating pollution, the implementation of a stormwater utility must be done in a way that it complements, rather than competes with, other municipal utility functions.

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